

STAND. COM. REP. NO. **3285**

Honolulu, Hawaii

APR 03 2014

RE: H.B. No. 2338
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2338, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDIT FOR RESEARCH ACTIVITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the tax credit for research activities.

More specifically, this measure:

- (1) Clarifies that the tax credit is not available for research conducted outside of the State;
- (2) Eliminates the requirement that the Department of Taxation certify all research credit claims;
- (3) Clarifies that failure of the taxpayer to submit the required survey to the Department of Business, Economic Development, and Tourism is a waiver of the right to claim the tax credit; and
- (4) Expands the information required to be submitted in the survey, by requiring the taxpayer to include the amount of tax credits claimed by the taxpayer pursuant to the tax credit for research activities.



Your Committee received written comments in support of this measure from the Department of Taxation and High Technology Development Corporation. The Tax Foundation of Hawaii submitted written comments on the measure.

Your Committee finds that Act 270, Session Laws of Hawaii 2013, reenacted the state tax credit for research activities. The tax credit is applicable to expenses incurred for qualified research activities after December 31, 2012, but is not available for taxable years beginning after December 31, 2019. Your Committee believes that this measure provides clarification for taxpayers seeking to claim the credit and will help to streamline administration of the tax credit.

Your Committee has amended this measure by deleting the definition of "basic research."

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2338, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2338, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



Record of Votes
Committee on Ways and Means
WAM

*Only one measure per Record of Votes